

The Influence of Non-State Shareholders Board Power on State-Owned Enterprises Internationalization Degree

Ning Wang¹, Puxin Zhang¹, Yangyuxuan Xie¹ & Huizhong Su¹

¹ School of Management, Shandong Technology and Business University, Yantai, Shandong, China

Correspondence: Puxin Zhang, School of Business Administration, Shandong Technology and Business University, Yantai 264003, China. E-mail: 2022410087@sdtbu.deu.cn

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Abstract

This study explores the influence of non-state shareholders' board power on the internationalization of state-owned enterprises and demonstrates the moderating effect of the business expectation gap and industry competition. Taking SOEs listed in Shenzhen and Shanghai A-share markets as the research sample, the study examines the influence of non-state shareholders' board power on SOEs' internationalization behavior and explores the regulating effects of two situational factors: business expectations gap and industry competition. Results show that (1) non-state shareholders' board power positively impacts SOEs' degree of internationalization. (2) The historical business expectations gap strengthens the positive impact of non-state shareholders' board power on SOEs' degree of internationalization, whereas the social business expectations gap weakens the positive impact. (3) The positive impact of non-state shareholder board power on internationalization degree is stronger in SOEs with high industry competition than with low industry competition. The study analyzes how non-state shareholders' board power promotes the internationalization of SOEs in the mixed ownership reform and provides governance efficiency evidence of the mixed-ownership reform from the perspective of SOEs' international practices.

Keywords: state-owned enterprises internationalization, mixed-ownership reform, non-state shareholders board power, business expectations gap, industry competition

1. Introduction

In the face of unprecedented changes in a century and to cultivate world-class enterprises with global competitiveness, Chinese enterprises are in a period of strategic opportunities for international development. Since the 18th National Congress of the Communist Party of China, the international growth of China's state-owned enterprises has made gratifying progress. The investment scale, investment industry, and investment region are moving toward "high-quality development." Internationalization can help enterprises realize the global allocation of strategic resources and enhance their competitive advantages and help to enhance the influence of Chinese brands and even Chinese culture in the world (Wang et al., 2021). However, China's rising and the principle of competitive neutrality aggravate the challenges in internationalization. Many scholars point out from the perspective of "legitimacy" that the complex and changeable international competitive environment places higher requirements on the internal governance quality of state-owned enterprises (Lin et al., 2021). With the comprehensive deepening of the mixed-ownership reform, the substantial integration of state-owned and non-state-owned enterprises from pure "mixed capital" to deep "mixed resources" is expected to make up for the shortcomings in the international operation of state-owned enterprises, especially in improving the marketization degree of state-owned enterprises (Wu et al., 2019). The quality and ability of the decision-making group (Zhang et al., 2024), the international resources and experience of state-owned enterprises (Lu et al., 2019), and non-state capital can play their due meaning.

Existing studies have found that the appointment of directors by non-state shareholders is considered an important and effective measure to maximize the incentive and ensure the positive role of non-state capital (Ma et al., 2022). More and more non-state-owned shareholders influence the major decisions of state-owned enterprises by participating in the board of directors' governance (Luo et al., 2023). Whether it is the "legitimacy" brought by the identity of non-state shareholders and market experience, the effective "action" for the internationalization of state-owned executives supervision, or the direct empowerment of the international

business of SOEs, non-state-owned shareholders and non-state-owned directors have become indispensable decision-making subjects in the internationalization practice of SOEs (Tao, 2022). Therefore, adding the board power of the non-state-owned shareholders into the study of the internationalization of state-owned enterprises accords with the actual situation of state-owned enterprises, deepening the mixed ownership reform. Moreover, such addition provides the institutional advantage with Chinese characteristics as realistic evidence of governance efficiency. It has important guiding significance to the state-owned enterprises “going out” and “walking in” to internationalization development.

Based on the above analysis, the present study selects A-share listed state-owned enterprises in Shenzhen and Shanghai from 2008 to 2019 as a research sample to examine the influence of non-state-owned shareholders’ board power on the internationalization behavior of state-owned enterprises. The contributions of this article may be as follows: First, with the background of comprehensively deepening the mixed ownership reform, the starting point of the governance structure of the board of directors of the mixed-ownership reform of state-owned enterprises, the internationalization behavior of state-owned enterprises with Chinese characteristics is explored. In existing studies on the internationalization of Chinese enterprises, few are on the internationalization of state-owned enterprises. Most studies only consider the nature of state-owned as a regulatory factor, and the research subject is not state-owned enterprises. This study explores the influence of non-state-owned shareholders’ board power on the degree of internationalization of state-owned enterprises, makes up for the shortcomings of the aforementioned research, and is a beneficial expansion of the relevant research on the internationalization of Chinese enterprises. Second, this study expands the research on the non-state-owned shareholders’ board power to the scene of state-owned enterprises’ international operations. Existing research has mainly focused on innovation, investment and acquisition, internal control, tax payment, dividends, and other management behaviors. It has analyzed the positive role of non-state shareholders in the reform of state-owned enterprises by appointing directors, and evidence of state-owned enterprises’ internationalization remains lacking. This study confirms the positive influence of non-state-owned shareholders’ board power on state-owned enterprises’ internationalization and enriches the results from non-state-owned shareholders’ board power.

2. Theoretical Basis and Research Hypothesis

2.1 The Influence of Non-State Shareholders Board Power on the Internationalization of State-Owned Enterprises

Implementing an internationalization strategy in state-owned enterprises can expand their business scope to achieve diversification of income sources and enhance profitability to meet the “profit-seeking” nature of non-state-owned shareholders. Therefore, non-state-owned shareholders have a strong incentive to promote the internationalization process of state-owned enterprises (Li et al., 2021). This study summarizes the influence of non-state-owned shareholders on the internationalization of state-owned enterprises with the power of their board of directors as legitimacy, supervision, and filling effect.

First, the influence of non-state shareholders’ board power on the internationalization of state-owned enterprises is manifested in the “legitimacy” effect, which helps state-owned enterprises to obtain organizational legitimacy in the process of internationalization, and reduces the confrontation between “us and them” caused by the disadvantage of outsiders and the country of origin (Wei et al., 2018; Xie et al., 2022). China stereotypes represent some host countries for emerging market enterprises. The stereotype is first reflected in organizational identity asymmetry; the organization of multinational enterprises is usually considered inferior to acquired overseas enterprise identity; the stereotype and organizational identity asymmetry will have an important influence on the organization for external legitimacy (Wu et al., 2019). In the internationalization process, state-owned enterprises in China should deal with the disadvantages of outsiders, source countries easily controlled by the government, and low marketization (Du et al., 2019). The reason is that Chinese state-owned enterprises inevitably have some domestic business behaviors when implementing overseas internationalization strategy “brand”; these brands hinder the process of being recognized and accepted by stakeholders under the specific institutional and cultural framework of the host country (Tao, 2022). Compared with state-owned enterprises, non-state-owned enterprises are more likely to be accepted by the international community (Di et al., 2021). The management teams of non-state-owned enterprises have more international experience and may have a richer international social network (He et al., 2022). These social links to SOEs as soft resources can help SOEs integrate into local culture and value forms faster and better to cope with institutional barriers and win key resource holders’ trust, support, and recognition (Tao, 2022). To some extent, the social links weaken the political status of state-owned enterprises, slows down the conflict with the host country, and reduces the vigilance of the governments of the host country and relevant stakeholders (Wang et al., 2021) to meet the challenges brought by organizational identity asymmetry and help state-owned enterprises to obtain

organizational legitimacy (Wei et al., 2018).

Second, the influence of the board of directors of non-state-owned shareholders on the internationalization of state-owned enterprises is manifested in the supervision effect, which urges the executives of state-owned enterprises to improve their willingness and responsibility to perform their duties to reduce the artificial resistance and risks in the process of internationalization of state-owned enterprises. On the one hand, senior executives of state-owned enterprises generally value political promotion (Yang, 2024). The internationalization strategy likely causes executives to be held accountable or even lose their current positions because of risks such as long cycles, high investments, and uncertain income (Yan, 2024). Therefore, from the perspective of personal interests, SOE executives may lack the impetus to the internationalization strategy (Wu et al., 2021). Non-state-owned shareholders seeking their commercial interests strengthens management supervision to obtain expected returns (Wang, 2024) to make up for the defects of “insider control” and urge the management of state-owned enterprises to develop international business actively from the interests of the enterprise (Cao et al., 2021). On the other hand, managers of state-owned enterprises hold a large amount of discretionary redundant funds (He et al., 2022). This caused the frequent occurrence of inefficient investment activities in state-owned enterprises and may damage the equity of non-state-owned shareholders (Yuan et al., 2022). Non-state-owned shareholders are incentivized to strengthen the checks and balances and supervise major state-owned shareholders (Cai & Ma, 2021). Non-state-owned shareholders who obtain board seats can have a more comprehensive understanding of the operation and management of state-owned enterprises, more fully express their interests in the board of directors, effectively coordinate the investment strategies of state-owned enterprises, and even directly streamline the non-essential operation and management expenses of state-owned enterprises (Li et al., 2021).

Third, the influence of non-state shareholders’ board power on the internationalization of state-owned enterprises is reflected in the filling effect, making up for the lack of market resources and capabilities of state-owned enterprises and helping to increase the competitiveness of state-owned enterprises in the international market. The implementation and integration of the internationalization strategy are highly complex, requiring a large amount of resources and having high requirements for enterprises’ comprehensive ability (Yang et al., 2020; Greve, 2020). Non-state capital has the characteristics of flexible operation and strong market adaptability, which is transmitted to state-owned enterprises through the corporate governance mechanism after the mixed reform, which helps to enhance the resource allocation efficiency of state-owned enterprises and improve the adaptability and dynamic competitiveness of state-owned enterprises in overseas markets (Wei et al., 2018). Moreover, compared with state-owned enterprises, non-state-owned capital is more diversified and inclusive in human resources, which can provide talent “external brain” for the internationalization process of state-owned enterprises and help enhance the resilience of state-owned enterprises in the international market and the perception of internationalization opportunities (Di et al., 2021). Accordingly, hypothesis 1 is proposed:

H1: Non-state shareholders’ board power positively impacts the internationalization of state-owned enterprises.

2.2 *The Adjustment Effect of the Operating Expectation Gap*

The operating expectation gap means managers want to achieve the expectation level set by themselves instead of pursuing perfection when operating an enterprise (Li et al., 2018). The expectation level is the minimum satisfaction value that the manager can accept by the enterprise. The manager will take the expected level as the reference point and compare it with the actual operation level. The operating expectation gap will be formed if the actual operation level is lower than expected. The current article follows Greve (2003) and Li et al. (2018). The expectation gap is divided into the historical expectation gap and the social expectation gap. The former is set according to the past operation level of the enterprise, and the latter is set based on the operation level of other enterprises in the industry to explore its different effects.

The gap in historical management expectations reflects that the actual management level of the enterprise is not as good as the previous management level (Wu et al., 2021). With the acceleration of market-oriented reform and “deadadministration,” SOEs have effectively improved their business performance and governance ability and paid more attention to their long-term development. However, improving the degree of marketization intensifies the competition between the factor and product markets (Ren et al., 2021). Historical business gaps are still possible. Given the dynamic change in decision-makers’ willingness and resources caused by the expectation gap, SOEs must find another way to explore a bigger market that will expand internationally (Song et al., 2017). Non-state-owned shareholders will hold a positive attitude toward international expansion with the “profit-seeking nature” of private property rights, and their keen market sense, advanced business philosophy, and rich capital operation experience are also beneficial to the international expansion of state-owned enterprises

(Luo et al., 2023).

The gap in social management expectations reflects that the actual management level of enterprises is less than that of other enterprises in the industry (Wu et al., 2021). The gap in social management expectations provides a more intuitive reference standard so that various stakeholders, such as shareholders, who have difficulty obtaining internal information about the enterprise, can understand the business status of the enterprise. When state-owned enterprises fall into social operation expectations, their business losses and reputation are damaged, and the decline of competitive position becomes more serious (Zhong et al., 2021), and the voice of state-owned enterprises in the industry is weakened. If the gap between social management expectations is further increased, the ability of SOEs to undertake policy tasks such as maintaining China's economic development stability and assisting the country in promoting development planning will be greatly weakened (Luo et al., 2023). Therefore, the gap in social management expectations of state-owned enterprises will cause the government's and other stakeholders' high vigilance. At this point, SOE executives are likely to be held accountable by the government and punished or even demoted. In this case, the huge pressure has made the strategic plan submitted to the board of directors more conservative (Kong et al., 2021). Although international expansion may create rich economic benefits for state-owned enterprises and non-state shareholders, in the face of non-operating expectations, non-state shareholders are also worried if they fail again, reducing their opportunities to obtain policy incentives (Li, 2020). Therefore, non-state-owned shareholders in the board of directors may not put forward plans to implement the internationalization strategy in the case of SOEs but are likely to assist the executives of SOEs in choosing less risky and more conservative investment plans. Accordingly, hypotheses 2a and 2b are proposed:

H2a: The greater the gap in the historical operation expectations of SOEs, the stronger the positive impact of the power of the board of non-state-owned shareholders on the internationalization of SOEs.

H2b: The greater the gap in the social operation expectations of SOEs, the weaker the positive impact of the power of the board of non-state-owned shareholders on the internationalization of SOEs.

2.3 Adjustment Effect of Industry Competition Degree

International expansion is a crucial way to improve enterprises' competitive position in the industry and promote their sustainable development (Yu, 2020). Non-state capital has a strong sense of industry competition, and a high degree of industry competition will make them more strongly want to explore new markets and seek new development opportunities to obtain competitive advantages. As the competition in state-owned enterprises is becoming more and more fierce, the non-state-owned shareholders are more likely to have the consideration of "prosperity and loss" (Wang, 2021). With the power of the board of directors, SOEs are more actively urged to expand internationally to maintain and even enhance their competitive position in the industry. At the same time, the higher the degree of competition in the industries in which SOEs, the higher the information transparency of enterprises will be (Ma, 2021). Directors appointed by non-state-owned shareholders can easily observe the behavior of senior executives of state-owned enterprises and obtain more internal information, thus enhancing the supervision effect and filling effect exerted by the board of directors of non-state-owned shareholders on state-owned enterprises in the internationalization process. Moreover, if the degree of competition in the industry is high, the initiative and efforts of its senior executives will be stimulated to engage in international expansion. If the competitive position of SOEs in the industry is squeezed, the possibility of their executives being replaced increases (Li, 2020). They will now be more willing to promote the internationalization strategy. Accordingly, hypothesis 3 is proposed:

H3: Compared with the state-owned enterprises with a low degree of industry competition, among the state-owned enterprises with a high degree of industry competition, the board power of non-state-owned shareholders has a stronger positive impact on the internationalization of state-owned enterprises.

3. Study Design

3.1 Sample Selection and Data Source

This study selects state-owned enterprises listed in 2008–2019 as samples to test the research hypothesis. Given that the reform of non-tradable shares ended at the end of 2007, non-state capital has the opportunity to enter state-owned enterprises. Moreover, the internationalization strategy of enterprises after 2019 may be affected by the epidemic and other factors (Cai, 2021). Thus, the sample is interval selection in 2008–2019. The following samples were excluded to ensure the accuracy of the research results: (1) samples in the financial industry; (2) ST or PT samples in the current year; (3) samples with abnormal financial data, including samples with operating income or total assets less than 0 and asset-liability ratio greater than 1 or less than 0; (4) samples with seriously missing data (4110 valid samples were obtained). In this study, the data on the power of the board of

non-state-owned shareholders are collected manually. The data related to the internationalization of state-owned enterprises are obtained from the Wind database, and the other data are all from the CSMAR database. Excel 2019 and Stata 16 are processed and analyzed.

3.2 Variable Measure

3.2.1 Interpreted Variables

Internationalization of state-owned enterprises (FSTS). Following the practice of most scholars (Liu et al., 2018; Wang, 2021), the ratio of overseas business income and operating income of state-owned enterprises is used to quantify the degree of internationalization.

3.2.2 The Explanatory Variables

Board authority of non-state shareholders (Power). The existing research has unified the measurement of non-state shareholders' board power. To meet the connotation reflected in non-state shareholders' board power, this study refers to Lu et al. (2019), Li et al. (2021a), and Wang (2024). The measures in the study were measured using two indicators:

- 1) Whether the non-state shareholders have the power of the board of directors (if_power). This index is a dichotomous variable. If non-state-owned shareholders appoint directors to the board of directors of the state-owned enterprise, the value is 1. Otherwise, it is 0.
- 2) The proportion of non-state shareholders with the board of directors' power (R_power). This index is calculated by dividing the number of directors appointed by non-state-owned shareholders to the board of directors of state-owned enterprises by the total number of the board of directors.

3.2.3 Adjustment Variables

1) Expected gap of historical operation (H_loss)

This article follows Greve (2003). The given steps calculate the gap between the actual operating level of a state-owned enterprise in the year is lower than the historical level. If the actual operating level of the state-owned enterprise in the year is equal to or higher than the historical level, the gap between the historical expectations of the enterprise is 0 (Ye et al., 2020; Li et al., 2018). ROA is the calculation index. The specific calculation steps are divided into three steps: First is to determine the actual operation level of the enterprise in the year, recorded as $ROA_{i,t}$. Second is to calculate the historical expectation level of the enterprise. The calculation formula is

$$H_AROA_{i,t} = \alpha ROA_{i,t-1} + (1-\alpha) H_AROA_{i,t-1}.$$

$H_AROA_{i,t}$ represents the historical expectation level of i enterprise in the t year. $ROA_{i,t-1}$ represents I, the actual operating level of the enterprise in t-1 year. $H_AROA_{i,t-1}$ represents the historical expectation level of i enterprise in t-1 year. α is the weight given to the actual operation level of i enterprise in t-1 year. Finally, the historical operation expectation gap is obtained using the following formula. The formula is

$$H_loss_{i,t} = |ROA_{i,t} - H_AROA_{i,t}|.$$

2) Drop in social operation expectations (I_loss)

The difference of the social management expectation gap is the same as the calculation method of the historical management expectation gap. The only difference is that the level of corporate social expectation used in this study refers to Lian et al. (2019). The median value of the enterprise ROA in the industry in year t, which is recorded as $I_AROA_{i,t}$. The formula for calculating the gap in social business expectations is

$$I_loss_{i,t} = |ROA_{i,t} - I_AROA_{i,t}|.$$

3) Industry competition degree (Compet). Referring to Tu et al. (2024). In another study, the value of the Lerner index below the sample median is 1, which means the SOE belongs to the group with high industry competition. Otherwise, the value is 0, which means the SOE belongs to the group with low industry competition.

3.2.4 Control Variables

In Liu et al. (2018), Hao et al. (2021), and Wang (2021), a series of factors that may affect the internationalization degree of state-owned enterprises are controlled: enterprise size, asset-liability ratio, cash flow level, current ratio, fixed asset ratio, and operating income level. Moreover, this study also controls two virtual variables, year (Year) and industry (Industry), as shown in Table 1.

Table 1. Variable definition

Variable	Symbol	Description
Internationalization of state-owned enterprises	FSTS	The ratio of overseas business income and operating income of state-owned enterprises
Board authority of non-state shareholders	If_power	If non-state-owned shareholders appoint directors to the board of directors of the state-owned enterprise, the value is 1. Otherwise 0.
	R_power	This index is calculated by dividing the number of directors appointed by non-state-owned shareholders to the board of directors of state-owned enterprises by the total number of the board of directors.
Expected gap of historical operation	H_loss	$H_loss_{i,t} = ROA_{i,t} - H_AROA_{i,t} $
Drop in social operation expectations	I_loss	$I_loss_{i,t} = ROA_{i,t} - I_AROA_{i,t} $
Industry competition degree	Compet	The value of the Lerner index below the sample median is 1, Otherwise 0.
Enterprise size	Size	Ln(Total assets)
Asset-liability ratio	Lev	Total liabilities / Total assets
Cash flow level	Cashflow	Net cash flow / Total assets
Current ratio	Car	Current assets / Current liabilities
Fixed asset ratio	Far	Fixed assets / Total assets
Operating income level	Revenue	Ln(Operating income)
Whether it has been audited by the Big Four	Big4	An audited value of 1, otherwise 0.
Number of board meetings	Boardque	Ln(Number of board meetings)
Owner's equity ratio	Own	Owner's equity / Total assets
The board's overseas experience	Boversea	Number of directors with overseas experience / Board size
Return on assets	Roa	Net profit / Average balance of assets
Administrative level	Polevel	Central enterprises are assigned a value of 1, otherwise 0.
Attendance at shareholder meetings	Shareholder	Number of shareholders present / Total number of shareholders
Year	Year	Virtual variable
Industry	Industry	Virtual variable

4. Model Construction

This study constructs a regression model to verify the relationship between non-state shareholders' board power and the internationalization degree of state-owned enterprises, as well as the adjustment effect of historical operation and expectation gap, social operation and expectation gap, and industry competition degree. Given that the value of the internationalization degree of the explained variables is between 0 and 1 and mostly 0, the following model is set as the Tobit model, specifically as follows:

This study verifies that non-state shareholders' board power (Power) has a positive impact on the degree of internationalization of state-owned enterprises (FSTS) by building model (1):

$$FSTS_{i,t} = \alpha_0 + \alpha_1 power_{i,t} + \Sigma \alpha_i Control_{i,t} + \varepsilon_{i,t} \quad (1)$$

This study verifies that a greater gap (H_loss) leads to a stronger positive influence of the power of the board of non-state shareholders (Power) on the degree of internationalization (FSTS), as shown in model (2). A greater gap of social operation (I_loss) shows a weaker positive influence of the power of the board of non-state shareholders (Power) on internationalization (FSTS), as shown in model (3).

$$FSTS_{i,t} = \beta_0 + \beta_1 * power_{i,t} * H_loss_{i,t} + \beta_2 H_loss_{i,t} + \Sigma \beta_i Control_{i,t} + \varepsilon_{i,t} \quad (2)$$

$$FSTS_{i,t} = \gamma_0 + \gamma_1 * power_{i,t} * I_loss_{i,t} + \gamma_2 I_loss_{i,t} + \Sigma \gamma_i Control_{i,t} + \varepsilon_{i,t} \quad (3)$$

This study verifies the state-owned enterprises with a high degree of competition (Compet=0) and the positive influence of board power (Power) with a high degree of competition (Compet=1). Group regression is conducted according to model (1), following the classification of industry competition (Compet).

5. Empirical Test and Result Analysis

5.1 Descriptive Statistics and Correlation Analysis

Table 2 below shows the descriptive statistics and correlation of the main variables and analyzes the results. The average degree of internationalization (FSTS) is 0.089. The standard deviation is 0.165, showing that the internationalization degree of SOEs is generally not very high. For the two indicators of the board power of non-state shareholders (Power), whether non-state shareholders have board authority (If_power) mean 0.171, the

average proportion of non-state shareholders with the board of directors (R_power) is 0.030. The results show that non-state shareholders can obtain a certain amount of board power from listed state-owned enterprises during the sample period but with a small proportion of power. The mean values of the historical operation expectation gap (H_loss) and the social operation expectation gap (I_loss) are 0.014 and 0.018, respectively. The average gap between the actual operation levels of SOEs is lower than the historical expectation level, and the social expectation level is 0.014 and 0.018. The average degree of industry competition is 0.514. The standard deviation is 0.500, which shows that the industry competition degree of state-owned enterprises varies greatly.

Table 2 shows the correlation analysis results and whether the non-state-owned shareholders have the board power (If_power), the non-state shareholders have the proportion of the board of directors' power (R_power), and the state internationalization degree (FSTS) correlation coefficient at 1% level is significantly positive. The results support the non-state shareholders' board power (Power) on the state internationalization degree positive hypothesis, preliminary verifying Hypothesis 1.

Table 2. Descriptive statistics and correlation analysis of main variables

Variable	Descriptive statistics.		Correlation analysis					
	Mean	SD	FSTS	If_power	R_power	H_loss	I_loss	Compet
FSTS	0.089	0.165	1					
If_power	0.171	0.075	0.044***	1				
R_power	0.030	0.376	0.063***	0.870***	1			
H_loss	0.014	0.027	0.026**	0.020*	0.019*	1		
I_loss	0.018	0.031	0.052***	-0.031***	-0.037***	0.700***	1	
Compet	0.514	0.500	0.052***	0.007	0.027***	-0.039***	-0.007	1

Note. ***, ** and * are indicated as significant at the 1%, 5% and 10% levels, respectively.

5.2 Analysis of the Results

5.2.1 Regression Analysis of the Power of Directors of Non-State-Owned Shareholders and the Internationalization of State-Owned Enterprises

Table 3 reports the regression results of the hypothesis 1 test. The regression coefficient of whether non-state-owned shareholders have the power of the board of directors (If_power) and the proportion of non-state-owned shareholders have the power of the board of directors (R_power) are significantly positive at the level of 1%, indicating that the power of the board of directors of the non-state-owned shareholders positively impacts the internationalization of state-owned enterprises. Thus, hypothesis 1 is proven.

Table 3. Board authority of non-state shareholders and Internationalization of state-owned enterprises regression results

Variable	(1) FSTS	(2) FSTS	(3) FSTS
If_power		0.050*** (2.634)	
R_power			0.276*** (2.751)
Size	-0.025* (-1.648)	-0.024 (-1.601)	-0.024 (-1.594)
Lev	0.023 (0.392)	0.007 (0.122)	0.007 (0.117)
Cashflow	-0.102 (-1.414)	-0.107 (-1.491)	-0.105 (-1.456)
Car	0.139** (2.346)	0.135** (2.289)	0.132** (2.247)
Far	0.065 (0.921)	0.062 (0.882)	0.062 (0.883)
Revenue	0.037*** (2.795)	0.039*** (2.906)	0.038*** (2.895)

Big4	-0.005 (-0.181)	-0.008 (-0.289)	-0.009 (-0.299)
Boardque	0.017 (0.947)	0.016 (0.856)	0.015 (0.841)
Own	0.085 (1.506)	0.071 (1.275)	0.015 (0.841)
Boversea	0.285*** (3.111)	0.272*** (2.960)	0.268*** (2.922)
Roa	-0.387*** (-2.887)	-0.428*** (-3.250)	-0.431*** (-3.274)
Polevel	0.040** (2.080)	0.044** (2.263)	0.044** (2.298)
Shareholder	-0.074 (-1.156)	-0.081 (-1.268)	-0.083 (-1.295)
Year	Yes	Yes	Yes
Industry	Yes	Yes	Yes
_cons	-0.378* (-1.900)	-0.416** (-2.084)	-0.405** (-2.034)
Observations	4110	4110	4110
Pseudo R ²	0.330	0.335	0.337

Note. ***, ** and * are indicated as significant at the 1%, 5% and 10% levels, respectively.

5.2.2 Analysis of the Adjustment Effect of Operating Expectation Gap and Industry Competition Degree

Models (1), (2), (3), and (4) in Table 4 show the results of the regression of the hypothesis 2a and hypothesis 2b test. In the regression models (1) and (2), the regression coefficients of the board power indicators of non-state shareholders (If_power and R_power) are still significantly positive at the 1% level, and whether the non-state shareholders have the power of the board of directors (If_power) and the historical operating expectation gap (H_loss) is significantly positive at the level of 5%. The regression coefficient of the proportion of non-state shareholders with the power of the board of directors (R_power) and the historical operating expectation gap (H_loss) is significantly positive at the 10% level. The historical operating expectation gap situation strengthens the positive influence of the power of the board of non-state-owned shareholders on the internationalization of state-owned enterprises. This result supports hypothesis 2a. Similarly, regressions (3) and (4) show that the social operation expectation gap weakens the positive impact of non-state shareholders' board power on the internationalization of state-owned enterprises. The results confirm hypothesis 2b.

Models (5), (6), (7), and (8) in Table 4 report the results of the regression on the hypothesis 3 tests. Specifically, in a group of high industry competition degrees, non-state-owned shareholders have the board power (If_power). The proportion of the board of power (R_power) regression coefficient at the 1% level is positive. In a group of low industry competition degrees, the non-state shareholders' board power (If_power and R_power) regression coefficient is positive but not significant. The results show that, compared with state-owned enterprises with low industry competition, the power of the board of non-state-owned shareholders has a strong positive impact on the degree of internationalization, which verifies hypothesis 3.

Table 4. Test results of adjustment effect between Expected gap of operation and Industry competition degree

Variable					High industry competition degree		Low industry competition degree	
	(1) FSTS	(2) FSTS	(3) FSTS	(4) FSTS	(5) FSTS	(6) FSTS	(7) FSTS	(8) FSTS
If_power	0.052*** (2.763)		0.049*** (2.633)		0.072*** (2.650)		0.028 (1.464)	
R_power		0.290*** (2.858)		0.267*** (2.768)		0.405*** (2.855)		0.119 (1.354)
If_power*H_loss	0.442** (2.088)							
R_power*H_loss		1.894* (1.757)						

If_power*I_loss			-0.649**					
			(-2.031)					
R_power*I_loss								
H_loss	-0.605***	-0.612***						
	(-2.629)	(-2.596)						
I_loss			0.338**	0.310**				
			(2.179)	(2.011)				
Size	-0.024	-0.024	-0.024	-0.024	-0.046**	-0.045**	-0.004	-0.005
	(-1.618)	(-1.599)	(-1.605)	(-1.610)	(-2.108)	(-2.092)	(-0.290)	(-0.299)
Lev	0.029	0.027	0.015	0.013	0.097	0.097	-0.076	-0.076
	(0.495)	(0.465)	(0.262)	(0.216)	(1.087)	(1.095)	(-1.053)	(-1.052)
Cashflow	-0.066	-0.066	-0.088	-0.093	-0.112	-0.109	-0.078	-0.076
	(-0.915)	(-0.916)	(-1.226)	(-1.295)	(-1.045)	(-1.021)	(-1.027)	(-1.009)
Car	0.133**	0.129**	0.135**	0.131**	0.102	0.096	0.172***	0.171***
	(2.245)	(2.193)	(2.295)	(2.241)	(1.169)	(1.108)	(2.612)	(2.603)
Far	0.051	0.051	0.058	0.059	0.126	0.126	0.03	0.029
	(0.724)	(0.724)	(0.829)	(0.841)	(1.319)	(1.324)	(0.389)	(0.376)
Revenue	0.040***	0.040***	0.040***	0.039***	0.068***	0.068***	0.018	0.018
	(3.021)	(2.997)	(2.984)	(2.979)	(3.443)	(3.440)	(1.353)	(1.332)
Big4	-0.011	-0.011	-0.009	-0.009	0.059	0.056	-0.046	-0.044
	(-0.374)	(-0.385)	(-0.312)	(-0.319)	(1.439)	(1.379)	(-1.505)	(-1.462)
Boardque	0.015	0.014	0.015	0.015	0.034	0.035	0.000	0.000
	(0.821)	(0.800)	(0.814)	(0.820)	(1.260)	(1.291)	(0.010)	(0.010)
Own	0.114**	0.109*	0.088	0.080	0.180**	0.176**	-0.045	-0.046
	(1.995)	(1.916)	(1.551)	(1.413)	(2.122)	(2.080)	(-0.669)	(-0.692)
Boversea	0.276***	0.266***	0.271***	0.267***	0.262**	0.255**	0.317***	0.317***
	(2.928)	(2.892)	(2.946)	(2.913)	(2.017)	(1.971)	(2.860)	(2.868)
Roa	-0.651***	-0.666***	-0.427***	-0.37***	-0.393**	-0.404**	0.484***	-0.48***
	(-3.468)	(-3.517)	(-3.245)	(-2.951)	(-1.985)	(-2.052)	(-3.327)	(-3.301)
Polevel	0.044**	0.044**	0.043**	0.044**	0.030	0.031	0.044**	0.044**
	(2.269)	(2.299)	(2.244)	(2.285)	(1.062)	(1.098)	(2.126)	(2.128)
Shareholder	-0.077	-0.079	-0.081	-0.082	-0.127	-0.130	-0.047	-0.047
	(-1.205)	(-1.233)	(-1.275)	(-1.281)	(-1.385)	(-1.422)	(-0.694)	(-0.695)
Year	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
_cons	-0.461**	-0.447**	-0.457**	-0.442**	0.823***	-0.814***	-0.355*	-0.344*
	(-2.298)	(-2.229)	(-2.247)	(-2.179)	(-2.700)	(-2.685)	(-1.755)	(-1.700)
Observations	4110	4110	4110	4110	2168	2168	1695	1695
Pseudo R ²	0.338	0.340	0.337	0.339	0.410	0.414	0.420	0.41

Note. ***, ** and * are indicated as significant at the 1%, 5% and 10% levels, respectively.

5.2.3 Robustness Test

1) Propensity score matching method

This study uses the propensity score matching method to verify the relationship between the power of the board of non-state-owned shareholders and the internationalization of state-owned enterprises. In this study, whether the non-state-owned shareholders have the power of the board of directors (If_power) is taken as the processing variable, and the matching variable is selected as the control variable. The model (1) in Table 5 is the result of the balance test of the data after matching, indicating no systematic difference between the treatment group and the control group. Therefore, the matching results obtained by the above matching method better balance the data.

Models (2), (3), and (4) in Table 5 report the regression results of the matched samples. The significance of the regression coefficient of whether the non-state shareholders have the board power (If_power), the proportion of the non-state shareholders with the board power (R_power) is significantly positive at the 5% level. The results further support hypothesis 1.

Table 5. PSM balance test results

Variable	Sample	(1)		(2)		(3)	(4)
		SD	T-test		FSTS	FSTS	FSTS
			T value	P value			
						0.055** (2.128)	
							0.318** (2.405)
Size	Unmatched	-24.70	-9.52	0.000	-0.003	-0.006	-0.007
	Matched	3.90	1.26	0.209	(-0.104)	(-0.202)	(-0.243)
Lev	Unmatched	-18.70	-7.14	0.000	-0.108	-0.124	-0.122
	Matched	3.30	1.02	0.222	(-0.897)	(-1.025)	(-1.030)
Cashflow	Unmatched	7.00	2.76	0.006	-0.171	(-1.025)	-0.143
	Matched	-0.20	-0.06	0.954	(-1.303)	-0.158	(-1.107)
Car	Unmatched	12.0	4.71	0.000	0.157	0.157	0.146
	Matched	1.70	0.52	0.600	(1.536)	(1.542)	(1.477)
Far	Unmatched	-11.60	-4.51	0.000	0.314***	0.307**	0.31***
	Matched	-0.80	-0.27	0.789	(2.586)	(2.555)	(2.581)
Revenue	Unmatched	-23.50	-9.08	0.000	0.032	0.033	0.033
	Matched	7.80	1.22	0.222	(1.176)	(1.2034)	(1.212)
Big4	Unmatched	-8.10	-3.13	0.002	-0.012	-0.012	-0.018
	Matched	0.90	0.03	0.761	(-0.227)	(-0.227)	(-0.377)
Boardque	Unmatched	0.60	0.22	0.822	-0.018	-0.014	-0.013
	Matched	0.70	0.21	0.831	(-0.488)	(-0.397)	(-0.384)
Own	Unmatched	18.80	7.44	0.000	0.043	0.035	0.015
	Matched	-3.300	-1.02	0.308	(0.341)	(0.279)	(0.121)
Boversea	Unmatched	7.80	3.21	0.001	0.173	0.174	0.166
	Matched	2.20	0.67	0.506	(1.113)	(1.132)	(1.116)
Roa	Unmatched	19.80	8.06	0.000	-0.027	-0.04	-0.051
	Matched	1.80	0.56	0.576	(-0.123)	(-0.181)	(-0.234)
Polevel	Unmatched	-16.30	-6.31	0.000	-0.054	-0.044	-0.041
	Matched	-0.60	-0.20	0.845	(1.623)	(1.574)	(1.695)
Shareholder	Unmatched	8.80	3.61	0.000	0.058	0.056	0.058*
	Matched	2.10	0.66	0.507	(-0.602)	(-0.490)	(-0.463)
Year					Yes	Yes	Yes
Industry					Yes	Yes	Yes
_cons					-0.605 (-1.516)	-0.606 (-1.529)	-0.606 (-1.529)
Observations					1428	1428	1428
Pseudo R ²					0.422	0.432	0.432

Note. ***, ** and * are indicated as significant at the 1%, 5% and 10% levels, respectively.

2) Change the measurement standard of the business expected drop

For example, in models (1), (2), (3), and (4) in Table 6, following Lian et al. (2019) and Ye et al. (2020), α is equal to 0.6 and thus taken to 0.6 to recalculate the historical operation expectation gap (H_loss). For the social operation expectation gap, the social expectation level selected above ($I_AROA_{i,t}$) is the median ROA of other parties in the industry of the enterprise (Wu et al., 2021). The social expectation level in some studies is the average ROA of other parties in the industry of the enterprise. Therefore, according to this practice, this study recalculates the social operation expectation gap (I_loss), and the results are the same.

3) Change the measurement index of the industry competition degree

As shown in models (5), (6), (7), and (8) in Table 6, this study replaces the measure of industry competition from the Lerner index to the Hefindhl index, and the other treatment methods are the same as above. The results are shown in Table 6. The regression of the non-state shareholders in the high industry competition group was significantly positive at the 1% level, whereas that in the low industry competition group was not significant. Therefore, the findings are consistent with the previous test results.

Table 6. Robustness test results of business expectation gap and industry competition degree adjustment effect.

Variable					High industry competition degree		Low industry competition degree	
	(1) FSTS	(2) FSTS	(3) FSTS	(4) FSTS	(5) FSTS	(6) FSTS	(7) FSTS	(8) FSTS
If_power	0.052*** (2.743)		0.049*** (2.632)		0.079*** (2.977)		0.022 (1.070)	
R_power		0.288*** (2.836)		0.267*** (2.766)				0.119 (1.086)
If_power*H_loss	0.401* (1.950)	1.798* (1.734)						
R_power*H_loss			-0.656** (-2.057)					
If_power*I_loss								
R_power*I_loss				-3.237* (-1.729)				
H_loss	-0.568*** (-2.607)	-0.583*** (-2.611)						
I_loss			0.352** (2.281)	0.324** (2.112)				
Size	-0.025 (-1.638)	-0.024 (-1.624)	-0.024 (-1.603)	-0.024 (-1.609)	-0.031 (-1.460)	-0.031 (-1.453)	-0.007 (-0.440)	-0.007 (-0.438)
Lev	0.027 (0.465)	0.026 (0.442)	0.016 (0.266)	0.013 (0.222)	0.111 (1.302)	0.114 (1.346)	-0.053 (-0.702)	-0.054 (-0.714)
Cashflow	-0.067 (-0.924)	-0.066 (-0.914)	-0.087 (-1.218)	-0.093 (-1.290)	-0.026 (-0.253)	-0.025 (-0.246)	-0.082 (-1.000)	-0.081 (-0.983)
Car	0.133** (2.245)	0.129** (2.194)	0.135** (2.295)	0.131** (2.239)	0.118 (1.348)	0.114 (1.308)	0.146** (2.148)	0.146** (2.140)
Far	0.052 (0.732)	0.052 (0.731)	0.058 (0.828)	0.059 (0.839)	0.075 (0.776)	0.079 (0.810)	0.035 (0.432)	0.035 (0.426)
Revenue	0.04*** (3.021)	0.04*** (3.001)	0.04*** (2.989)	0.04*** (2.984)	0.049** (2.539)	0.048** (2.525)	0.019 (1.267)	0.019 (1.262)
Big4	-0.010 (-0.361)	-0.011 (-0.373)	-0.009 (-0.315)	-0.009 (-0.321)	0.058 (1.384)	0.057 (1.378)	-0.032 (-0.987)	-0.033 (-0.999)
Boardque	0.015 (0.832)	0.015 (0.812)	0.015 (0.810)	0.015 (0.816)	0.002 (0.089)	0.003 (0.122)	0.021 (1.005)	0.021 (0.989)
Own	0.110* (1.927)	0.106* (1.858)	0.089 (1.564)	0.081 (1.426)	0.202*** (2.616)	0.199*** (2.584)	-0.045 (-0.642)	-0.046 (-0.663)
Boversea	0.270*** (2.933)	0.267*** (2.898)	0.271*** (2.946)	0.267*** (2.912)	0.118 (1.081)	0.109 (1.003)	0.373*** (3.138)	0.373*** (3.147)
Roa	-0.631*** (-3.456)	-0.647*** (-3.520)	-0.426*** (-3.236)	-0.367*** (-2.935)	-0.334* (-1.804)	-0.336* (-1.822)	-0.514*** (-3.359)	-0.515*** (-3.359)
Polevel	0.044** (2.270)	0.044** (2.303)	0.043** (2.242)	0.044** (2.284)	0.008 (0.305)	0.009 (0.350)	0.054** (2.437)	0.054** (2.439)
Shareholder	-0.078 (-1.215)	-0.079 (-1.243)	-0.081 (-1.273)	-0.082 (-1.279)	-0.156* (-1.753)	-0.153* (-1.726)	-0.039 (-0.547)	-0.041 (-0.573)
Year	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
_cons	-0.454** (-2.261)	-0.440** (-2.192)	-0.460** (-2.260)	-0.444** (-2.191)	-0.768** (-2.425)	-0.754** (-2.381)	-0.372* (-1.689)	-0.369* (-1.674)
Observations	4110	4110	4110	4110	1838	1838	2025	2025
Pseudo R ²	0.338	0.340	0.337	0.339	0.453	0.456	0.392	0.392

Note. ***, ** and * are indicated as significant at the 1%, 5% and 10% levels, respectively.

6. Research Conclusions and Enlightenment

6.1 Study Conclusion

This study found that, first, non-state shareholders' board power positively impacts the internationalization of state-owned enterprises. The introduction of non-state-owned shareholders of state-owned enterprises has the motivation and enthusiasm to promote the internationalization process of state-owned enterprises. Allocation of the power of the board of directors for non-state-owned shareholders can maximize the legitimacy effect, supervision effect, and filling effect in the internationalization process of state-owned enterprises. Non-state capital helps to weaken the political identity of state-owned enterprises, alleviate the conflict with the host country, reduce the vigilance of the host government and relevant stakeholders, and help state-owned enterprises obtain organizational legitimacy in the host country. Non-state-owned shareholders, with the power of the board of directors, can help urge the executives of state-owned enterprises to improve their willingness and responsibility to perform their duties to reduce the artificial resistance and risks in the internationalization process of state-owned enterprises, facilitate the export of their superior resources and capabilities to state-owned enterprises, make up for the shortcomings of state-owned enterprises, and enhance the competitiveness of state-owned enterprises in the international market.

Second, the historical operation expectation gap strengthens the positive impact of non-state shareholders' board power on the internationalization of state-owned enterprises. On the contrary, the social management expectation gap weakens the positive impact. Compared with the historical management expectations gap situation, the social management expectations gap situation shows that the state-owned enterprises situation is more difficult. State-owned shareholders and non-state shareholders eliminate social management expectations to avoid high uncertainty in the investment return cycle of international business. When state-owned enterprises are in a historical operation expectation gap, to fill the current "loss" of state-owned enterprises and obtain excess returns, non-state-owned shareholders will more actively promote the internationalization process of state-owned enterprises to make up the gap between the enterprise and the historical business performance through the success of international business.

Third, in state-owned enterprises with a high degree of industry competition, non-state shareholders' board power has a stronger positive impact on the degree of internationalization. The low degree of industry competition easily makes the non-state-owned shareholders on the board of directors of state-owned enterprises enjoy benefits, produce governance inertia, and have less willingness to promote the internationalization process of state-owned enterprises. The fierce competition in the industry weakens the possibility of non-state-owned shareholders and improves the possibility of active action of state-owned enterprises. The board tends to adopt a more aggressive internationalization strategy to seek new growth opportunities and respond to national policies.

6.2 Research Implications

State-owned enterprises in the mixed ownership reform should pay attention to playing the positive role of non-state capital in internationalization and actively consider allocating the board of directors' power for non-state-owned shareholders. The mixed reform of state-owned enterprises must curb the formalism of "mixing for mixed" and achieve the purpose of "promoting reform by mixed." The government should clarify the necessity of state-owned enterprises granting non-state shareholders board of directors in relevant policies and arrange the regulatory authorities to supervise the implementation of relevant rules and regulations of state-owned enterprises. The rights and interests of non-state-owned shareholders should be effectively protected, giving them a right to speak to the board of directors and ensuring that non-state-owned directors have opportunities, channels, and mechanisms to play a positive role. The non-state director should protect the board, take the office of state-owned enterprises, prevent issues caused by a "dominant" board, improve the supervision mechanism of state-owned enterprises' corporate governance and decision-making mechanism, and improve the efficiency of governance and decision-making quality, eventually prompting state-owned enterprises to accelerate internationalization and increase the pace toward world first-class enterprises.

In addition, after the mixed reform, state-owned enterprises should establish a smooth and effective communication mechanism with non-state-owned shareholders and their directors to ensure the right to know and supervise non-state capital. By exploring the adjustment effect of the business expectation gap situation (historical operation expectation gap and social operation expectation gap), we found a key point that may affect the performance of non-state directors. In the market, the premise for non-state-owned directors to assist state-owned enterprises efficiently to improve their competitive position is timely. It accurately understands various information and operating conditions of enterprises, among which the most important is knowing the current operating difficulties of state-owned enterprises. Thus, state-owned enterprises must establish an honest

attitude of mutual trust, actively cover the shareholders and the board meeting, meet after the decision-making communication mechanism, expand communication channels, create an equal cooperation communication atmosphere, and create favorable conditions for non-state-owned director recommendations to promote the internationalization of state-owned enterprises and achieve mutual benefit and win-win results.

6.3 Research Limitations

Although the theoretical basis, research hypotheses, measurement of variables, and methods for testing the relationships between variables in this paper have been determined by examining and analyzing a large amount of existing literature and considering the actual context, there are still many shortcomings due to my limited capabilities and the time constraints for data collection and literature review, as well as some inevitable biases. I hope that future research can address these shortcomings and build upon the findings of this study.

Firstly, there is insufficient exploration in measuring the degree of internationalization of state-owned enterprises. This paper only uses a single indicator, the ratio of overseas business income to operating income, to measure the degree of internationalization. Although this indicator is widely recognized, as mentioned earlier, the measurement of the degree of internationalization encompasses single indicator measurement, multi-indicator measurement, and composite indicator measurement, each with various indicators. Therefore, future research can employ or develop alternative methods and indicators to measure the degree of internationalization, thereby making the study of internationalization more scientific and precise.

Secondly, the exploration of the relationship between the board power of non-state shareholders and the degree of internationalization of state-owned enterprises is not comprehensive. This paper only examines the linear relationship between the two. However, there is a strong possibility of a non-linear relationship. Malanfu and others have demonstrated an inverted “U” relationship between non-state equity and the performance level of state-owned enterprises. As mixed-ownership reform progresses, the proportion of non-state shareholders with board power may increase. Therefore, future research can delve into the non-linear relationship.

Finally, due to the constraints of research time and database conditions, the research scenarios of this paper are more limited compared to other studies. Although the final sample size meets the relevant empirical research requirements, its representativeness should be enhanced. In future studies, the sample should be analyzed and tested across a broader range of contexts to improve its representativeness and validity.

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